



# FinDev Canada Environmental & Social Policy – November 2019

This is a draft policy for FinDev Canada. For review and external stakeholder comment.

## 1. Purpose and Scope

### 1.1 Purpose

1. **Mandate.** FinDev Canada provides financing to the private sector in developing countries with the aim of combating poverty through economic growth. It does so with an emphasis on supporting businesses that economically empower women, develop local markets, create jobs and address climate change through mitigation or adaptation. As part of this mandate, FinDev Canada seeks to ensure that clients have appropriate management systems in place to address any potential adverse environmental and social (E&S) impacts.
2. **Institutional framework.** This policy specifies FinDev Canada's E&S commitments and forms part of a broader sustainability and governance framework. FinDev Canada finances activities that have clear potential for positive development impact. FinDev Canada applies its Gender Policy and Strategy and its Development Impact Framework to each investment, evaluating the prospective client's potential for promoting women's economic empowerment, market development and green growth. Following an analysis of a potential transaction's current and potential contribution to these three impact goals, FinDev Canada will conduct an E&S review of its transactions to identify steps to prevent, manage and mitigate potential adverse impacts. FinDev Canada's E&S oversight continues throughout the investment lifecycle, as outlined in Annex I. An E&S review procedure, informed by this policy, will provide the detailed implementation framework for FinDev Canada staff.
3. **E&S Performance Benchmarks.** Successful investment outcomes depend on FinDev Canada clients attaining a level of E&S performance that, at a minimum, mitigates and manages against adverse impact of their operations. Performance expectations for clients are collectively termed the E&S Performance Benchmarks and are described in more detail in Section 2.1.
4. FinDev Canada's expectation is that clients have sufficient E&S governance in place to demonstrate compliance with the E&S Performance Benchmarks agreed for the investment. Compliance timelines are detailed in Section 2.2.

5. **Investment risk.** To fulfil its development mandate, FinDev Canada is committed to high impact investments in challenging markets that come with a high degree of inherent risk. Rather than seek to eliminate every identified E&S risk, the purpose of this policy is to ensure that E&S risk is recognized, evaluated and, where required a time-bound action plan is agreed with the client to minimize and manage adverse impacts. Annex I provides further detail.

## 1.2 Scope

6. **Financing operations.** This Policy applies to FinDev Canada's financing operations which include investment activities and the provision of client-facing technical assistance. Investment activities include (i) direct lending to private sector companies (including corporate and project finance); (ii) lending to various types of financial intermediaries, including banks, funds and facilities; (iii) guarantees; and (iv) minority equity stakes in companies, including financial institutions.
7. **Co-financing.** For co-financed projects, FinDev Canada may choose to apply different standards in order to harmonize the standards of all investors, provided that the standards are, in FinDev Canada's opinion, equivalent or better than the E&S Performance Benchmarks articulated below and that there is collaboration with co-investors to ensure gender issues are given appropriate consideration.
8. **Technical assistance.** Technical assistance to clients is provided in accordance with FinDev Canada's Technical Assistance Strategy, which may include, but is not limited to, support for gender action, for building client capacity in collecting gender disaggregated data and for strengthening a client's E&S governance practices, to improve E&S risk management and maximize potential for positive impact.

# 2. Principles

## 2.1 Good International Practice (GIP)

9. This policy – and FinDev Canada's work as a whole – is underpinned by commitments that have been recognized by international bodies, including the United Nations, development institutions and the private sector as established good international practice. These include the:
  - UN Guiding Principles on Business and Human Rights
  - ILO Declaration on Fundamental Principles and Rights at Work
  - OECD Guidelines on Multinational Enterprises
  - World Bank Group Environmental Health and Safety Guidelines
  - IFC's Performance Standards on Environmental and Social Sustainability (2012)

Considering FinDev Canada's mandate and origins, guidance for the application of this policy may also be derived from the UN Declaration on the Rights of Indigenous Peoples, the UN Convention on the Elimination of All Forms of Discrimination Against Women [and the ILO Convention on Violence and Harassment.]

As stated in its [Development Impact Framework](#), FinDev Canada is committed to tracking and continually learning from GIP and collaborating with other development finance institutions and potential co-investors to build and share such knowledge. Particular focus will be given to emerging GIP on land and water rights. During policy review, the need to integrate specific policy provisions on such issues will be evaluated, including whether they disproportionately affect women and girls.

## 2.2 E&S in the investment cycle

10. This policy applies to all financing operations and applies throughout the entire investment cycle – from initial screening to exit. Annex I provides further information.
11. **Screening.** FinDev Canada will screen all financing operations against this policy. The screening will assess likely environmental and social risks, including those related to gender, human rights and climate change. The screening determines the initial E&S risk classification and which E&S performance benchmarks are likely to be applicable (with final determination made prior to seeking Board approval).
12. **E&S Performance Benchmarks.** The E&S requirements that are applied to clients are collectively referred to as E&S Performance Benchmarks throughout this policy. The IFC Performance Standards on Environmental and Social Sustainability (2012) are the principal benchmark standard, but clients may be subject to additional benchmarks beyond these, depending on their specific risk profile or operating context. FinDev Canada's expectation is that clients commit resources and develop capacity to demonstrate compliance to their applicable E&S Performance Benchmarks. To support this client commitment, FinDev Canada will provide implementation guidance and will consider other support, including technical assistance.

## 2.3 Compliance timelines

13. FinDev Canada recognizes that clients in its countries of investment face different E&S challenges and may have varying levels of capacity to manage those challenges. Improved E&S performance will, however, ultimately contribute to the development outcomes which are central to FinDev Canada's mandate.
14. As a result, compliance with applicable E&S Performance Benchmarks will often need to be progressive and based on defined and measurable steps over a timebound period. This recognizes that a reasonable timeframe for compliance is needed, but does not change the applicable E&S Performance Benchmarks nor the accountabilities of FinDev Canada or the client. FinDev Canada may collaborate with the client in setting this timeframe, which will take into account governance structures already in place, the significance of identified risks and the in-country context. FinDev Canada will detail the nature of this process and the timeframe over which implementation will be expected in investment documentation.

## 2.4 Positive impact and leadership

15. FinDev Canada will encourage its clients to secure positive environmental, social and commercial outcomes from their activities, including the opportunity to adopt, develop, offer or market:
  - products, services, skills or employment opportunities that could benefit community stakeholders;
  - a working environment and terms of employment that reflect decent, safe, healthy work practices;

- employment practices that promote gender equality and women's economic empowerment; and
- resource efficient, greenhouse gas reducing or low carbon technologies or working practices.

FinDev Canada particularly seeks to invest in clients demonstrating women ownership and / or leadership and companies that provide decent work for women or services or products which have particular benefits to women.

16. Solid E&S governance structures minimize risks and enhance FinDev Canada's own capacity for positive impact. Clients may in turn recognize that FinDev Canada's support in building their E&S governance structures translates into broader corporate capacity, competitive advantage, improved stakeholder relationships and higher potential for positive societal impact.

### 3. Implementation

17. **Integration of E&S considerations.** Environmental and social risks are not considered in isolation: they are integrated into FinDev Canada's overall due diligence of the financing under consideration, including reviews of financial and reputational risks and development impact. FinDev Canada will make holistic financing decisions based on an assessment of all relevant risks, together with considerations for positive development impact.

18. **Stakeholder engagement and vulnerable peoples or groups.** FinDev Canada will ensure that clients carry out engagement with any affected stakeholders in a structured and culturally appropriate manner in accordance with their applicable E&S Performance Benchmarks.

FinDev Canada will expect clients to identify vulnerable people or groups who may be disproportionately impacted by its activities. This should lead to appropriate mitigation measures so that vulnerable groups do not face disproportionate adverse impacts. FinDev Canada will promote practices that ensure that the priorities and concerns of women and girls are addressed throughout the engagement process and are incorporated into mitigation measures.

19. **Gender.** As a gender lens investor, FinDev Canada will support clients to identify and mitigate adverse or disproportionate gender differentiated impacts which may result from their financing operations. This will include support to clients to identify, at a minimum, elements of the host country, environment, sector and company-specific context which may carry additional or differentiated risks for women potentially affected by the financing, as well as support for developing and implementing appropriate mitigation measures. Particular attention will be paid to identifying and addressing gender-based violence and harassment risks, as well as to ensuring women's equal voice and participation in stakeholder engagement and other consultative processes, and supporting gender-inclusive governance structures which may be well equipped to efficiently identify and address risks that particularly or disproportionately affect women and girls.

20. **Human rights.** FinDev Canada will identify any potential human rights impacts and their potential severity (i.e., scale, scope, irremediability) and likelihood, Where actual or potential severe human rights impacts are identified FinDev Canada will assess the need for clients to adopt additional due diligence aimed at better understanding the risks and to devise specific responses to these risks to avoid, prevent and mitigate those impacts. Additional due diligence may include the commissioning of additional studies and enhanced forms of stakeholder engagement. FinDev Canada currently adopts the relevant standards contained in Export Development Canada's Human Rights Policy (see Annex III),

including the UNGPs and will actively monitor GIP to improve its approach, including review of the need to adopt its own human rights policy tailored to FinDev Canada's mandate and operational context.

21. **Climate change and E&S impact.** FinDev Canada will be a climate financier, supporting clients to implement technically feasible and cost-effective climate mitigation and adaptation measures. FinDev Canada will consider the extent to which E&S Performance Benchmarks are able to integrate climate adaptation and mitigation practices, particularly where they can offset adverse impact to communities, biodiversity and natural resources. Particular attention will be paid to how women are disproportionately affected by climate related impacts, including how their livelihoods may be differentially affected by natural resource availability.
22. **General Corporate Purpose facilities.** FinDev Canada may use financing structures - such as corporate finance or an equity position - where the defined use of its funding is not known at the time of the investment decision. In such circumstances, the approach to due diligence will be to assess: the client's E&S management of its existing business activities; the quality of its E&S governance structures and management systems; and the extent of management commitment and technical capacity to implement applicable E&S Performance Benchmarks (once these have been determined).
23. **Management of change.** As a long-term investor, FinDev Canada recognizes that E&S impacts and their mitigation are subject to change over the life of an investment. FinDev Canada manages its financing operations accordingly and determines if any modification is required to address such change. Management of change includes collaboration with clients to take appropriate steps to address new or previously unidentified impacts. Management of change protocols are included in investment documentation. Annual monitoring of investments will support implementation of management of change protocols.
24. **Enhanced client support.** FinDev Canada supports its clients in developing their governance and management systems to deliver against the applicable E&S Performance Benchmarks. Based on available resources, this is done through appropriately targeted interventions including technical assistance, guidance and collaboration with third parties. Technical assistance may also facilitate capacity building for the collection of gender disaggregated data to further FinDev Canada's impact mandate and its E&S assessment. Where FinDev Canada asks clients to adopt E&S Performance Benchmarks beyond those that are normally adopted in the host country market, it will assess the need to provide appropriate support to stimulate sector or geographic adoption of those standards.
25. **Exceptions.** All exceptions to this policy will be informed to the Board of Directors as part of financing approval. The potential risks arising from the exception(s) and, if applicable, the appropriate controls to mitigate these risks, will be documented and included in the disclosure of information related to the transaction.

## 4. Accountability

26. **Transparency.** FinDev Canada believes that appropriate disclosure of information can contribute to improved E&S performance, accountability and development outcomes. In providing disclosure of E&S information, adequate consideration will be given to the need to balance public accountability, client confidentiality, and the ability of FinDev Canada to execute its mandate. Disclosures will be made via the FinDev Canada website and according to its policy on disclosure and transparency. FinDev Canada's full disclosure commitments can be found in its [Disclosure Policy](#).
27. **Reporting requirements.** To understand the way in which this policy impacts E&S outcomes, FinDev Canada will report publicly on a regular basis on its implementation. Information to be reported will include the number of investments reviewed, common risks identified, aggregated E&S performance of the portfolio and number of complaints received.
28. **Roles & responsibilities.** FinDev Canada will progressively seek to build its own in-house E&S expertise, while continuing to leverage the expertise of Export Development Canada (EDC) to provide E&S support throughout the financing cycle.

Implementation and effectiveness of this policy ultimately lies with FinDev Canada's Managing Director who will annually inform FinDev Canada's Board of Directors on its application.

FinDev Canada's Advisory Council, comprised of prominent leaders with expertise, experience and leadership in international development, may provide advice to FinDev Canada on the content of this policy.

29. **Grievance and complaints.** FinDev Canada is committed to establishing an independent complaints and accountability mechanism which will allow affected parties to raise issues with FinDev Canada for alleged non-compliance with its policies in its financing operations, with the objective of fostering trust and resolution between parties. The mechanism will be accessible, and complaints resolved in a manner that is fair, timely, consistent and transparent.
30. Investment level grievance mechanisms will be defined by the E&S Performance Benchmarks. Clients will be required to implement mechanisms and demonstrate their effectiveness.
31. **Review & revisions.** This policy will be reviewed regularly – at least every three years - to determine if changes or revisions are required. There will be an annual report to FinDev Canada's Board of Directors on policy implementation, effectiveness, lessons learned and recommendations (if any) on its modification.
32. FinDev Canada will periodically seek the views of relevant stakeholders in relation to the application of this policy where appropriate. This will include stakeholder views on scope, application and outcomes.
33. **Effective date.** [To be determined]

## Annex I: E&S Risk in the Investment Cycle

Investment risk is dynamic – influenced by a mix of operational, economic, political, environmental, human, and contextual factors. As a sub-set of investment risk, E&S is influenced in the same way. FinDev Canada recognizes that if risks are dynamic, their management must be likewise. This annex summarizes how this is achieved throughout the investment cycle: full details are found in the E&S review procedure.

**Screening.** FinDev Canada will assign an initial E&S risk classification at the transaction screening stage, based on the known risk factors at that time. Both direct and financial intermediary investments will be assigned one of four classifications according to the potential of the risk occurring, the nature of the adverse impact and the likely effectiveness of mitigation measures. These four classifications will be High Risk, Substantial Risk, Moderate Risk or Low Risk.

In determining the initial risk classification, FinDev Canada will take into account relevant issues, such as the type, location, sensitivity and scale of the project or business; the nature and magnitude of the potential environmental and social risks and impacts; stability, conflict or security aspects of the host country; strength of E&S governance in the host country and at this early stage, what is known about client commitment and capacity (e.g. from internet searches). The initial E&S risk classification will signal the extent and complexity of E&S due diligence that will likely be required and as such, FinDev Canada management will consider it as part of their Investments Committee meeting.

**Due Diligence.** In addition to investigating and verifying the risks identified at screening stage, FinDev Canada will assess the extent to which the client has the E&S governance framework, management commitment, and systems capacity to deliver against the applicable E&S Performance Benchmarks. Deficiencies will be captured in an E&S Action Plan (ESAP) that will be integrated into the investment documentation. FinDev Canada will disclose the project's E&S risk classification in disclosure documentation. If the E&S risk classification has changed from screening to the end of the due diligence phase, the rationale will also be described.

**Monitoring.** As part of portfolio management for signed transactions, FinDev Canada will review client performance against the applicable E&S Performance Benchmarks, the ESAP and the risks underpinning the classification. Changes to those risks – or the identification of new risks – will prompt a review of the E&S risk classification. If the E&S risk classification is changed, disclosure documentation will be updated and the change will also likely impact the supervision strategy.

**Exit.** In cases of chronic client underperformance, with poor prospect of deficiencies being remedied in a satisfactory manner, FinDev Canada will withdraw its financing. The E&S risk classification will be a consideration in the decision (with high or substantial risk likely to accelerate the decision to withdraw).



## Annex II: Definitions

**Advisory Council:** Group of experts and sector leaders whose role is to provide strategic advice and guidance with a focus on inclusive development finance and international development issues.

**Board of Directors:** FinDev Canada's Board of Directors is a recognized group of people who jointly oversee the activities of FinDev Canada.

**Development Impact Framework:** FinDev Canada's Development Impact Framework reflects the critical social and economic changes the institution would like to see in developing country markets, establishing its values and priority impact goals, guiding its risk appetite and informing its investment decisions and processes and results reporting.

**Disclosure Policy:** Policy which sets out FinDev Canada's commitment to a regime of transparency and establishes the framework for the routine, proactive disclosure of information of FinDev Canada's business activities.

**E&S Performance Benchmarks:** Set of requirements that are selectively applied to clients, depending on the E&S risks identified.

**E&S Review Procedure:** Implementation guidance particularly directed at internal staff to be provided by FinDev Canada.

**E&S Risk Classification:** Dynamic categorisation of an investment's potential for E&S risk, taking into consideration operational, economic, environmental, human, and contextual factors, and the management structures the client has in place to address them.

**E&S risks:** Environmental and social aspects of the overall risk assessment of an investment, which, at a minimum, include risks related to gender, human rights, climate change, labor and working conditions, including occupational safety and health, community health, safety, and security, land acquisition and involuntary resettlement, biodiversity conservation and sustainable management of living natural resources, indigenous peoples, cultural heritage.

**Environmental impacts:** Environmental impacts may affect climate, biodiversity and natural resources and communities' relationship with them.

**Financing operations:** Activities supported and financed by FinDev Canada include (i) direct lending to private sector companies (including corporate and project finance); (ii) lending to various types of financial intermediaries, including banks, funds and facilities; (iii) guarantees; and (iv) minority equity stakes in companies, including financial institutions.

**Gender equality:** Gender equality refers to the equal rights, responsibilities and opportunities of women and men and girls and boys. FinDev Canada recognizes that women do not form a homogenous group, and that the inequalities they face may differ or be compounded by factors such as ethnicity, poverty, disability, age, religion, sexual orientation or gender identity.

**Gender Policy:** Policy which sets FinDev Canada's goals to promote gender equality and women's economic empowerment through FinDev Canada's investments and operations.

**Gender Strategy:** Document which provides details on the operationalization and implementation of the Gender Policy.

**Governance:** Management structures put in place by clients, with the support of FinDev Canada, to continuously and effectively identify, manage and mitigate E&S risks.



**IFC Performance Standards:** The International Finance Corporation (IFC) is the private sector lending arm of the World Bank Group. IFC has established the Performance Standards on Environmental and Social Sustainability (referred to as the Performance Standards) to provide guidance to companies on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities.

**International standards:** Internationally recognized good practices, standards and guidelines in relation to E&S that FinDev Canada will rely upon as benchmarks in going into an investment.

**Mitigation:** Measures to reduce, eliminate or compensate for adverse environmental and social effects.

**Social impacts:** Social impacts may affect people, communities and/or workers and may include issues related to gender, human rights, land rights, labor and working conditions and health and safety.

**Technical assistance:** Product [provided in accordance with FinDev Canada's Technical Assistance Strategy,] which will include support for gender action, for building client capacity in collecting gender disaggregated data, and for strengthening ESG response.

**Vulnerable people or groups:** people or groups who may be particularly or disproportionately affected by investment impacts because of characteristics such as their gender, gender identity, sexual orientation, religion, race, ethnicity, national origin, indigenous identity, community dependency on natural resources, age, physical or mental disability, political opinion, socio-economic status, and/or migrant, refugee or internally displaced status.

## Annex III: Human Rights Policy

Date:	7 November 2019
Status:	Redacted policy requires management review.
Explanation:	The following is EDC's current Human Rights Policy, which FinDev Canada adopts with the exception of highlighted paragraphs (in red) which extend beyond FinDev Canada's current operational structure. FinDev Canada will actively monitor good international practice to improve its approach, including review of the need to adopt its own human rights policy tailored to FinDev Canada's mandate and operational context.



### 1. Purpose and Scope

Businesses, including export credit agencies, have a responsibility to respect human rights across their operations. To meet this responsibility, the United Nations Guiding Principles on Business and Human Rights (UNGPs) state that all businesses should have in place policies and processes to identify, prevent, mitigate and account for how they address their impacts on human rights. In line with the UNGPs, businesses should have in place a policy statement on human rights.

EDC recognizes that in most cases, the most severe human rights impacts to which we are likely to be connected will occur through our customer relationships. This policy provides the principles and commitments that will guide EDC's approach to respecting human rights and our internal decision making in connection with the transactions we support. It is also one of the avenues that EDC uses to communicate our approach to respecting human rights to external stakeholders.

#### 1.1 Application

Unless otherwise stated, this policy will apply to all of EDC's business. Further details of policy implementation will be elaborated in the Policy's Procedures and Guidelines.

EDC's commitments to the rights of our employees are addressed in EDC's Code of Conduct, our human resource policies and our compliance with applicable laws and regulations.

## 2. Policy Guiding Principles and Commitments

### 2.1 EDC Responsibility to Respect Human Rights

At EDC, we recognize our responsibility to respect the internationally recognized human rights covered within the International Bill of Human Rights in the undertaking of our role as Canada's export credit agency. We operate in a manner consistent with Canadian law which embeds the international commitments made by Canada. We align our practices with the corporate responsibility expectations of the UNGPs.

EDC makes every effort to identify, prevent and mitigate potential human rights impacts through our customers relationships. To do so, we prioritize our due diligence to assess the business that we support for actual and/or potential severe human rights impacts. EDC also expects our customers meet their responsibility to respect human rights, in a manner that is appropriate to their size and risk profile, to identify and address their impacts.

### 2.2 Implementation of EDC Human Rights Commitments through our Customer Relationships: our Human Rights Due Diligence Process for Transactions

To identify and assess the human rights impacts associated with our customers, EDC conducts due diligence in accordance with our Environmental and Social Risk Management Policy and the Environmental and Social Review Directive which are informed by the OECD Common Approaches on Environmental and Social Due Diligence, the Equator Principles, the OECD Guidelines on Multinational Enterprises and the UNGPs. The elements below are part of our transaction due diligence process.

#### 2.2.1 Prioritization:

Considering our large and diverse portfolio of customers, EDC takes a risk-based approach by prioritizing certain transactions for further due diligence based on higher risks factors we have identified, such as the country context, the track record of the business partners, the business activities associated with a transaction and the presence of Vulnerable Peoples. EDC also prioritizes certain risks or impacts within each transaction based on the severity of the actual and/or potential impacts on people. EDC determines the severity of an impact based on its scale, scope and irremediability. We commit to review our prioritization approach on an ongoing basis.

#### 2.2.2 Customer Assessment:

Commensurate with the severity and likelihood of the human rights impacts, EDC assesses our customers' capacity to manage human rights impacts. For transactions with higher risks to people, we place further emphasis on assessing our customers' management systems for ensuring effective stakeholder engagement processes and operational level grievance mechanisms, in line with best practices, so that affected stakeholders can voice their concerns.

#### 2.2.3 Leverage:

Through our business relationships with our customers, our practice is to use any available leverage to influence our customers' actions to prevent and mitigate their human rights impacts. We recognize that the

extent of our leverage is variable and impacts our ability to influence the actions of our customers. Where we have insufficient leverage, EDC will seek ways to increase our leverage so that those impacts are effectively prevented and mitigated. When deciding to invest in or disinvest from a customer relationship, EDC will consider the severity of the impacts on people, our customers' capacity to address the impacts and our ability to build and increase leverage successfully so that the impacts are managed.

#### 2.2.4 Monitoring:

When higher risks to people are identified in a transaction, EDC will track and monitor the human rights performance of our customers. This will allow us to act when actual severe human rights impacts are identified, should they arise.

### 2.3 Enabling Remediation

When severe human rights impacts occur, our approach to remedy is based on our determination of how EDC may be connected to the impact through our business relationships. EDC will play an appropriate role in enabling remedy for those rights-holders that have been harmed. We recognize that in most cases this will mean using our leverage to encourage responsible parties to provide appropriate forms of remedy.

When an issue involving one of our customers is brought forward to Canada's National Contact Point (NCP) or the Canadian Ombudsperson for Responsible Business (CORE), EDC will take reasonable steps to cooperate in these processes and will also encourage our customers to do so.

### 2.4 Communicating with Stakeholders

EDC recognizes the importance of communicating with our stakeholders in good faith through constructive dialogue. We approach this collaboration as an opportunity to hear, understand and respond to their interests and concerns. We also look to our network of expert stakeholders to assist in strengthening our process to identify and address human rights challenges and, in some instances, to better understand the concerns of stakeholders potentially affected by our customers' activities.

### 2.5 Tracking and Reporting on our Human Rights Performance

EDC will disclose information on our processes that demonstrate, in practical terms, our commitment to respect human rights. In addition, we will track our performance related to our human rights due diligence process in order to evaluate how we are doing and report externally on our findings.

### 2.6 Taking an Active Role in the Level Playing Field

EDC recognizes the evolutionary nature of human rights practices, and actively monitors the international and national human rights discourse to track emerging best practices and human rights issues to improve upon our own approach. We will bring to the attention of our customers, particularly those who may be exposed to higher risks circumstances, best practices in the field of human rights when appropriate. We will play an active role in industry and standard-setting bodies as part of our commitment to ongoing strengthening of best practice and a level playing field, including through the OECD Environmental and Social Practitioners and the Equator Principles fora. EDC will use its leverage to continue to promote alignment of these frameworks with leading practices and the expectations of the UNGPs.

### 3. Roles and Responsibilities

This Human Rights Policy is a Board Policy and, as such, is approved by the Board of Directors.

The SVP, Corporate Affairs shall be the Policy Owner of this Human Rights Policy and, as such, shall be responsible for its development, implementation and maintenance. He/she shall also be accountable for its execution and effectiveness.

The Director, Environmental and Social Risk Management shall be the Policy Monitor. The Policy Monitor may delegate his or her responsibilities as Policy Monitor to an alternative and credible person.

Internal Audit, as the Third Line of Defence, shall be responsible for providing Independent Assurance to the Board of Directors and Executive in accordance with EDC’s Internal Audit Charter.

### 4. Reporting Requirements

The table below sets out the minimum reporting requirements for the Human Rights Policy.

Table 1: Reporting Requirements

Report	Frequency	Description	Distribution
Report on EDC’s performance related to EDC’s human rights due diligence process	Annually	In EDC’s Integrated Annual Report, provide an overview of EDC’s performance related to its human rights due diligence process	<p><b>Distributed by:</b></p> <ul style="list-style-type: none"> <li>SVP, Corporate Affairs</li> </ul> <p><b>Distributed to:</b></p> <ul style="list-style-type: none"> <li>Disclosed externally in EDC’s Annual Report</li> </ul>

### 5. Reviews and Revisions

The Human Rights Policy shall be reviewed and approved every three years, or more frequently should circumstances require.

Any revisions to, or rescinding of, this Human Rights Policy shall be accompanied by supporting detail on the material changes and associated rationale.

Role and responsibilities with regard to approval, revision and/or rescinding of the Human Rights Policy shall be as described in the table below.

Any minor off-cycle adjustments to this Human Rights Policy may be made in adherence with and as set out in the Policy of Policies.

Table 2: Reviews and Revisions

Document	Review & Recommend for Approval, Revision (or Rescinding)	Approval	Approval Cycle
Human Rights Policy	SVP, Corporate Affairs and endorsed by an Executive-level committee	Board of Directors	At least every three years, unless deemed otherwise by the Board of Directors

## 6. Escalation and Exceptions

All exceptions or instances of non-compliance to this Human Rights Policy shall be assessed by the Policy Monitor and escalated to the Policy Owner for resolution or approval.

Requests for Policy exceptions or instances of non-compliance must:

- Identify the applicable section(s) of the Policy to which the exception applies;
- Assess the risk(s) that arises from the proposed exception(s);
- If applicable, outline the appropriate controls to mitigate these risks; and,
- Specify the review or effective period of the Policy exception.

A process shall be established by the Policy Owner to identify, record and report on exceptions or instances of non-compliance with this Policy. Policy exceptions will be disclosed.

## 7. Other Related Documents

The following documents relate to the Human Rights Policy:

- Environmental and Social Risk Management Policy
- Environmental and Social Review Directive
- Climate Change Policy
- Disclosure Policy – under review
- Environmental and Social Risk Management Framework – under development
- Policy of Policies
- Internal Audit Charter
- Operational Risk Framework
- Operational Risk Policy

## 8. Effective Date

The Human Rights Policy shall take effect on May 1st, 2019.

## 9. Definitions

In this Policy, the names of EDC teams and groups are capitalized, and refer to the teams/groups as set out in EDC's corporate directory.

Capitalized terms other than name of EDC teams or groups are defined terms, as set out below.

Terminology	Definition
Board of Directors	EDC's Board of Directors.
Board Risk Management Committee (BRMC)	Board-level Risk Management Committee, as set out in the ORMF.
Executive	The cadre of managers that provides the most senior level of review, guidance and decision-making.
First Line of Defence	Teams or individuals who assume, own, and manage risk.
Guideline	A document which sets out the parameters within which EDC employees should act and the standards which should be defined to achieve expected outcomes and Policy requirements. This includes mandatory controls, or alternatively guidance, recommendations or best practices.
Independent Assurance	The process for assuring the Board and Senior Management that the Policy and its related Guidelines (or Standards), Procedures and Frameworks are effectively designed and functioning as intended.
International Bill of Human Rights	The International Bill of Human Rights consists of the Universal Declaration of Human Rights and the main instruments through which it has been codified: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.
Operational Risk Management Framework (ORMF)	The overarching Governance Structure for establishing effective operational risk management in respect of the entire organization.
Policy	A document which sets out the principles or protocols to guide decisions and achieve expected outcomes. Policies are derived from EDC's mandate, missions, strategic objectives and Risk Appetite.
Policy Monitor	The authority responsible for monitoring, ensuring and attesting to compliance with the Policy, and also responsible for reporting instances of non-compliance to the Policy Owner (if Policy Monitor is different from the Policy Owner).
Policy Owner	The senior Executive responsible for the matters addressed by the Policy. This includes responsibility for ensuring the Policy's development, implementation and maintenance.
Procedures	Step-by-step instructions (including process maps where available, and job aids) to complete a task to implement Policies and Guidelines (or Standards). These documents



Terminology	Definition
	should describe a series of actions on how to perform an activity to achieve expected outcomes.
Second Line of Defence	Individuals and teams oversee risk-taking.
Standards	Requirements that are mandatory, prescriptive and intended to be binding on EDC's employees.
Third Line of Defence	EDC's Internal Audit, which is responsible for providing Independent Assurance to the Board of Directors in accordance with EDC's Internal Audit Charter.
Three Lines of Defence Model	A governance model that distinguishes organizational roles and responsibilities via three lines of management: First Line of Defence, Second Line of Defence and Third Line of Defence.
United Nations Guiding Principles on Business and Human Rights (UNGPs)	A set of 31 principles that set out the respective roles of States and companies in ensuring that companies respect human rights in their business activities and through their business relationships. The UNGPs were endorsed by the UN Human Rights Council in 2011.
Vulnerable Peoples	At EDC, we define Vulnerable Peoples as those peoples who are entitled to specific protection under international laws including for example woman, children, religious or ethnic minorities and indigenous peoples as well as those peoples we have recognized in practice as being more likely to suffer severe impacts in certain contexts such as human rights defenders, LGBTQ, migrant workers or artisanal miners.